

**MANTI CITY CORPORATION  
MANTI, UTAH  
BASIC FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2006**

**Together with Independent Auditor's Report**



**HINTONBURDICK**  
**HINTON BURDICK HALL & SPILKER PLLC**  
**CPAs & ADVISORS**

# MANTI CITY CORPORATION

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# HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAS & ADVISORS

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
Members of City Council  
Manti City Corporation  
Manti, Utah

**MEMBERS:**

KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Manti City Corporation as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Manti City Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of Manti City Corporation as of June 30, 2006, and the respective changes in financial position, and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Municipal Building Authority special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2006 on our consideration of Manti City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, as noted on the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mahti City Corporation's basic financial statements. The accompanying supplementary information and the combining and individual nonmajor fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Hinton Burdick Hall & Spilker PLLC*

HINTON, BURDICK, HALL & SPILKER, PLLC  
December 11, 2006



**HINTONBURDICK**  
HINTON BURDICK HALL & SPILKER PLLC  
**CPAs & ADVISORS**

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**MEMBERS:**  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

Honorable Mayor and  
Members of City Council  
Manti City Corporation  
Manti, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Manti City Corporation, as of and for the year ended June 30, 2006, which collectively comprise Manti City Corporation's basic financial statements and have issued our report thereon dated December 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manti City Corporation's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Manti City Corporation in the accompanying *Schedule of Findings and Recommendations*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manti City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of Manti City in the accompanying *Schedule of Findings and Recommendations*.

This report is intended for the information of the Mayor, City Council and management of Manti City Corporation and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Hinton Burdick Hall & Spilker PLLC*

HINTON, BURDICK, HALL & SPILKER, PLLC

December 11, 2006

**MANTI CITY CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2006**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Manti City Corporation's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006.

Please read it in conjunction with the City's basic financial statements, which begin on page 12.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**REPORTING THE CITY AS A WHOLE**

**The Statement of Net Assets and the Statement of Activities**

Our analysis of the City as a whole begins on page 5. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the method of accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets as the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non financial factors, however, such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets (roads, buildings, water and sewer lines) to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

**Governmental activities:** most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Sales taxes, property taxes, and state and federal grants finance most of these activities.

**Business-type activities:** the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, and electrical systems are reported here.



**MANTI CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2006**

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

Our analysis of the City's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law. However, the City council establishes other funds to help it control and manage money for particular purposes, (ex. Capital Improvements Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (ex. Grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

*Governmental funds:* most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations with the fund financial statements.

*Proprietary funds:* when the City charges customers for the full cost of the services it provides whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of business-type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**The City as Trustee**

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 25. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**MANTI CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2006**

**THE CITY AS A WHOLE**

The City's combined net assets were increased from \$5,292,654 to \$6,392,229. Our analysis below focuses on the net assets and changes in net assets of the City's governmental and business type-activities.

**Manti City Corporation's Net Assets**

	Governmental Activities		Business-type Activities		Total Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 2,214,380	\$ 1,195,733	\$ 1,358,149	\$ 1,225,140	\$ 3,572,529	\$ 2,420,873
Capital assets	5,046,039	4,224,974	6,984,796	7,372,770	12,030,835	11,597,744
Total assets	<u>7,260,419</u>	<u>5,420,707</u>	<u>8,342,945</u>	<u>8,597,910</u>	<u>15,603,364</u>	<u>14,018,617</u>
Long-term debt outstanding	3,493,334	2,718,667	4,907,502	5,240,878	8,400,836	7,959,545
Other liabilities	686,265	562,064	124,034	204,354	810,299	766,418
Total liabilities	<u>4,179,599</u>	<u>3,280,731</u>	<u>5,031,536</u>	<u>5,445,232</u>	<u>9,211,135</u>	<u>8,725,963</u>
Net assets:						
Invested in capital assets, net of debt	1,556,039	1,506,307	2,105,739	2,131,892	3,661,778	3,638,199
Restricted	1,707,976	830,600	486,519	667,044	2,194,495	1,497,644
Unrestricted (deficit)	<u>(183,195)</u>	<u>(196,931)</u>	<u>719,151</u>	<u>353,742</u>	<u>535,956</u>	<u>156,811</u>
Total net assets	<u>\$ 3,080,820</u>	<u>\$ 2,139,976</u>	<u>\$ 3,311,409</u>	<u>\$ 3,152,678</u>	<u>\$ 6,392,229</u>	<u>\$ 5,292,654</u>

Net assets of the City's governmental activities increased by \$940,844 or 43.97 percent. Unrestricted net assets – the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from a deficit of \$196,931 at June 30, 2005, to a \$183,195 deficit at June 30, 2006.

The net assets of the City's business-type activities increased by \$158,731 or 5.03 percent. The City generally can only use these net assets to finance the continuing operations of the water, sewer, and electrical operations.

**MANTI CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2006**

**THE CITY AS A WHOLE (Continued)**

The City's total revenues increased by \$608,607 or 15.31 percent. The total cost of all programs and services increased by \$218,549 or 6.44 percent. Our analysis below separately considers the operations of governmental and business type-activities.

**Manti City Corporation's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total Government	
	2006	2005	2006	2005	2006	2005
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 825,643	\$ 776,672	\$ 1,857,399	\$ 1,792,563	\$ 2,683,042	\$ 2,569,235
Operating grants and contributions	286,097	133,782	-	628,857	286,097	762,639
Capital grants and contributions	866,057	42,182	23,753	14,341	889,810	56,523
General revenues:						
Property taxes	154,499	151,236	-	-	154,499	151,236
Other taxes	323,534	291,116	-	-	323,534	291,116
Other general revenues	248,188	145,804	-	-	248,188	145,804
<b>Total revenues</b>	<b>2,704,018</b>	<b>1,540,792</b>	<b>1,881,152</b>	<b>2,435,761</b>	<b>4,585,170</b>	<b>3,976,553</b>
Program expenses:						
General government	461,698	452,543	-	-	461,698	452,543
Public safety	212,097	216,957	-	-	212,097	216,957
Public health	13,891	30,218	-	-	13,891	30,218
Highway and public improvements	324,541	292,807	-	-	324,541	292,807
Parks and recreation	648,755	622,506	-	-	648,755	622,506
Interest on long term debt	102,192	131,301	-	-	102,192	131,301
Water	-	-	376,049	376,239	376,049	376,239
Sewer	-	-	207,938	222,558	207,938	222,558
Electric	-	-	1,138,434	1,046,956	1,138,434	1,046,956
<b>Total expenses</b>	<b>1,763,174</b>	<b>1,746,332</b>	<b>1,722,421</b>	<b>1,645,753</b>	<b>3,485,595</b>	<b>3,392,085</b>
Excess (deficiency) before adjustment to beginning net assets	940,844	(205,540)	158,731	790,008	1,099,575	584,468
Transfers in (out)	-	302,000	-	(302,000)	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 940,844</b>	<b>\$ 96,460</b>	<b>\$ 158,731</b>	<b>\$ 488,008</b>	<b>\$ 1,099,575</b>	<b>\$ 584,468</b>

**Governmental Activities**

Revenues for the City's governmental activities increased by \$1,163,226 or 75.50 percent and total expenses increased by \$16,842 or .96 percent. The increase in revenues is due a combination of factors. The City received additional grant money to assist with the beautification of Main Street of approximately \$425,000. In addition, the City issued new debt to construct the new Aquatic Center.

**Business-type Activities**

Revenues for the City's business-type activities decreased by \$554,609 or 22.77 percent and total expenses increased by \$76,668 or 4.66 percent. The factors driving these results include:

- The prior year revenue included approximately \$630,000 in grant revenue for construction. Adjusting for the grant revenues, the revenues for the business-type activities increased by approximately \$75,000. This increase is due to the increased rates charged for electric and sewer services.

**MANTI CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2006**

**THE CITY AS A WHOLE (Continued)**

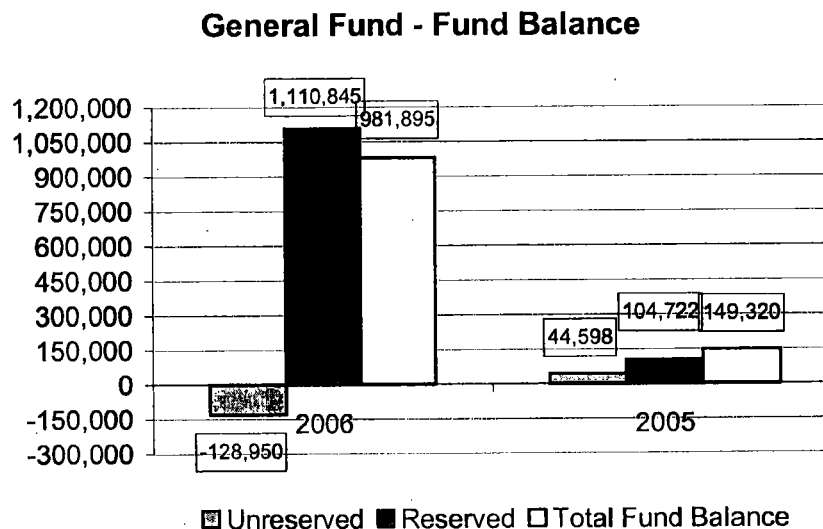
- The increase in expenses was mainly due to increase in wages charged to this type of activity and an increase in the cost of materials.

**THE CITY'S FUNDS**

**General Governmental Functions**

The General Fund

The fund balance increased by \$832,575 (from \$149,320 to \$981,895). The following graphs show the changes in the fund balance and the portion of the fund balance which is reserved and unreserved for the respective years.



The increase in the total and reserved fund balances is a result of the issuance of the bond to construct the new Aquatic Center.

Municipal Building Authority (MBA)

This fund records the rent paid from the general fund and in turn makes the necessary bond payments for the new city building. The MBA receives rental income equal to the bond payments.

**Business-type functions**

Water fund

Net assets of the water fund experienced a small increase of approximately \$27,000 compared to an increase last year of approximately \$613,000. The main factor causing the net increase is related to the City not making a transfer to other funds.

Sewer fund

Net assets of the sewer fund increased by approximately \$4,000. This increase is a result of the increase in the monthly service fee.

**MANTI CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2006**

**THE CITY'S FUNDS (Continued)**

**Electric fund**

The net assets of the electric fund increased by approximately \$127,000. The main reason for the increase is due the increase in fee charged for electricity.

**General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the City budget to reflect new information they received regarding revenues and expenditures. The final budget has been adjusted as follows. Administration expenditures were adjusted upward to account for an increase in salaries and professional services. Library was increase to account of the increase in supplies needed at the library. Highways was increased to account for the Main Street beautification project. The City Complex was increase to match the rental payments require to pay the MBA for the related bond payments. Recreation was increased to account for the construction of the Aquatic Center. The Fire department was decrease because the original budget had anticipated costs for a new fire station. The city was unable to make the progress it had anticipated on this project.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2006 the City had approximately \$19,660,000 invested in a broad range of capital assets, including fire and ambulance equipment, vehicles and maintenance equipment, buildings, park facilities, roads, bridges, and utility distribution and collection systems, compared to approximately \$18,645,000 at the end of 2005. This represents an increase of approximately \$1,015,000 or 5.5 percent over last year.

This year's major additions include (at approximate amounts):

Main Street beautification	\$ 630,000
Aquatic Center	310,000

More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

**Debt**

At year-end, the City had approximately \$8,400,000 in bonds and notes outstanding versus approximately \$7,960,000 last year – an increase of 6 percent.

For government activities, the City issued the General Obligation Bond Series 2005 for \$1,000,000 to construct the new Aquatic Center. The City also entered into an agreement with Sanpete County to purchase a grader for \$15,000.

For business-type activities, no new debt was issued during the year.

More detailed information about the City's debt is presented in Note 7 to the financial statements.

**MANTI CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2006**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City anticipates several capital projects for the up coming year.

The City anticipates that the Aquatic Center will be completed by the Spring of 2007. The funding to complete this project has already been received.

The City is in the beginning stages of developing plans for the construction of a new fire station. The land for this station was purchased during the current fiscal year. The City anticipates funding most of this project through grants.

The City is in the preliminary stage of discussions related to extensions and upgrades to the sewer collection system. If action is taken related to this project in the next fiscal year, the City anticipate funding through grants and loans.

## **BASIC FINANCIAL STATEMENTS**

**MANTI CITY CORPORATION**  
**STATEMENT OF NET ASSETS**  
**For The Year Ended June 30, 2006**

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 345,722	\$ 144,167	\$ 489,889
Receivables:			
Accounts, net	71,683	143,516	215,199
Taxes	254,000	-	254,000
Intergovernmental	126,370	-	126,370
Inventory	-	139,467	139,467
Internal balances	(416,035)	416,035	-
Restricted assets:			
Cash and cash equivalents	1,829,306	486,519	2,315,825
Capital assets, net of accumulated depreciation:			
Land	232,141	91,435	323,576
Buildings	2,288,894	-	2,288,894
Utility distribution and collection systems	-	6,792,160	6,792,160
Machinery and equipment	154,468	101,201	255,669
Infrastructure	2,054,452	-	2,054,452
Construction in progress	316,084	-	316,084
Deferred charges	3,334	28,445	31,779
<b>Total Assets</b>	<b>\$ 7,260,419</b>	<b>\$ 8,342,945</b>	<b>\$ 15,603,364</b>
<b>Liabilities:</b>			
Accounts payable	\$ 133,460	\$ 7,137	\$ 140,597
Accrued liabilities	20,357	88,308	108,665
Liabilities payable from restricted assets	121,330	-	121,330
Accrued interest payable	12,596	-	12,596
Developer and customer deposits	-	28,589	28,589
Deferred revenue	398,522	-	398,522
Noncurrent liabilities:			
Due within one year	260,000	389,603	649,603
Due in more than one year	3,233,334	4,517,899	7,751,233
<b>Total Liabilities</b>	<b>4,179,599</b>	<b>5,031,536</b>	<b>9,211,135</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	1,556,039	2,105,739	3,661,778
Restricted for:			
Perpetual care	234,002	-	234,002
Library	107,025	-	107,025
Debt Service	251,375	-	251,375
Future development	1,109,025	486,519	1,595,544
City Improvements	6,549	-	6,549
Unrestricted	(183,195)	719,151	535,956
<b>Total Net Assets</b>	<b>3,080,820</b>	<b>3,311,409</b>	<b>6,392,229</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,260,419</b>	<b>\$ 8,342,945</b>	<b>\$ 15,603,364</b>

The accompanying notes are an integral part of the financial statements.



**MANTI CITY CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2006**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Government Activities:</b>							
General governmental	\$ 461,698	\$ 542,244	\$ 286,097	\$ 9,655	\$ 376,298	\$ -	\$ 376,298
Public safety	212,097	-	-	-	(212,097)	-	(212,097)
Public health	13,891	-	-	-	(13,891)	-	(13,891)
Highway and public improvements	324,541	-	-	636,142	311,601	-	311,601
Parks, recreation, and public property	648,755	283,399	-	220,260	(145,096)	-	(145,096)
Interest on long-term debt	102,192	-	-	-	(102,192)	-	(102,192)
<b>Total Governmental Activities</b>	<b>1,763,174</b>	<b>825,643</b>	<b>286,097</b>	<b>866,057</b>	<b>214,623</b>	<b>-</b>	<b>214,623</b>
<b>Business-type Activities:</b>							
Water	376,049	396,514	-	6,851	-	27,316	27,316
Sewer	207,938	209,863	-	2,043	-	3,968	3,968
Electric	1,138,434	1,251,022	-	14,859	-	127,447	127,447
<b>Total Business-type Activities</b>	<b>1,722,421</b>	<b>1,857,399</b>	<b>-</b>	<b>23,753</b>	<b>-</b>	<b>158,731</b>	<b>158,731</b>
<b>Total Government</b>	<b>\$ 3,485,595</b>	<b>\$ 2,683,042</b>	<b>\$ 286,097</b>	<b>\$ 889,810</b>	<b>214,623</b>	<b>158,731</b>	<b>373,354</b>
<b>General Revenues:</b>							
					154,499	-	154,499
Property taxes					318,217	-	318,217
Sales taxes					5,317	-	5,317
Franchise taxes					17,890	-	17,890
Unrestricted investment earning					55,000	-	55,000
Gain on sale of capital assets					175,298	-	175,298
Other							
<b>Total General Revenues</b>					<b>726,221</b>	<b>-</b>	<b>726,221</b>
<b>Changes in Net Assets</b>							
					940,844	158,731	1,099,575
<b>Net Assets, Beginning</b>					<b>2,139,976</b>	<b>3,152,678</b>	<b>5,292,654</b>
<b>Net Assets, Ending</b>					<b>\$ 3,080,820</b>	<b>\$ 3,311,409</b>	<b>\$ 6,392,229</b>

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2006**

	General	Municipal Building Authority	Permanent	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 250,021	\$ 1,509	\$ -	\$ 94,192	\$ 345,722
Receivables:					
Accounts, net	40,307	-	-	31,376	71,683
Taxes	254,000	-	-	-	254,000
Intergovernmental	126,370	-	-	-	126,370
Due from other funds	-	-	-	-	-
Restricted assets:					
Cash and cash equivalents	1,334,292	254,463	234,002	6,549	1,829,306
<b>Total Assets</b>	<b>\$ 2,004,990</b>	<b>\$ 255,972</b>	<b>\$ 234,002</b>	<b>\$ 132,117</b>	<b>\$ 2,627,081</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 91,851	\$ -	\$ -	\$ 41,609	\$ 133,460
Accrued liabilities	20,357	-	-	-	20,357
Liabilities payable from restricted assets	121,330	-	-	-	121,330
Due to other funds	416,035	-	-	-	416,035
Deferred revenue	373,522	-	-	25,000	398,522
<b>Total Liabilities</b>	<b>1,023,095</b>	<b>-</b>	<b>-</b>	<b>66,609</b>	<b>1,089,704</b>
<b>Fund Balances:</b>					
Reserved for:					
Perpetual care	-	-	234,002	-	234,002
Library	107,025	-	-	-	107,025
Construction	1,003,820	3,088	-	-	1,006,908
Debt service	-	252,884	-	-	252,884
Unreserved, reported in:					
General fund	(128,950)	-	-	-	(128,950)
Municipal Building Authority	-	-	-	-	-
Business Development	-	-	-	13,864	13,864
Service Organization	-	-	-	51,644	51,644
<b>Total Fund Balances</b>	<b>981,895</b>	<b>255,972</b>	<b>234,002</b>	<b>65,508</b>	<b>1,537,377</b>
<b>Total Liabilities and     Fund Balances</b>	<b>\$ 2,004,990</b>	<b>\$ 255,972</b>	<b>\$ 234,002</b>	<b>\$ 132,117</b>	<b>\$ 2,627,081</b>

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2006**

Amounts reported for governmental activities in the statement of net assets are different because:

<b>Total fund balance - governmental funds</b>	<b>\$ 1,537,377</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,046,039
Interest expense is not due and payable in the current period and, therefore, is not recorded in the funds.	(12,596)
Long-term liabilities are not due and payable in the current period and, therefore, are not recorded in the funds.	<u>(3,490,000)</u>
<b>Total net assets - governmental activities</b>	<b><u>\$ 3,080,820</u></b>

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2006**

	<u>General</u>	<u>Municipal Building Authority</u>	<u>Permanent</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes	\$ 593,553	\$ -	\$ -	\$ -	\$ 593,553
Licenses and permits	15,649	-	-	-	15,649
Intergovernmental	903,976	-	-	-	903,976
Charges for services	401,101	242,162	-	101,649	744,912
Fines and forfeitures	18,722	-	-	-	18,722
Miscellaneous	79,486	-	7,500	35,688	122,674
Interest	22,371	10,382	9,181	147	42,081
<b>Total Revenues</b>	<u>2,034,858</u>	<u>252,544</u>	<u>16,681</u>	<u>137,484</u>	<u>2,441,567</u>
<b>Expenditures:</b>					
Current:					
General government	392,510	-	-	67,463	459,973
Public safety	203,114	-	-	-	203,114
Public health	13,891	-	-	-	13,891
Highway and public improvements	246,718	-	-	-	246,718
Parks, recreation and public property	524,753	1,500	-	29,450	555,703
Debt service:					
Principal	85,000	160,000	-	-	245,000
Interest	11,100	91,044	-	-	102,144
Capital outlay:					
Public safety	31,624	-	-	-	31,624
Highway and public improvements	645,389	-	-	-	645,389
Parks, recreation and public property	325,635	-	-	-	325,635
<b>Total Expenditures</b>	<u>2,479,734</u>	<u>252,544</u>	<u>-</u>	<u>96,913</u>	<u>2,829,191</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(444,876)</u>	<u>-</u>	<u>16,681</u>	<u>40,571</u>	<u>(387,624)</u>
<b>Other Financing Sources (Uses):</b>					
Sale of capital assets	55,000	-	-	-	55,000
Loan/bond proceeds	1,015,000	-	-	-	1,015,000
Contributions/donations	207,451	-	-	-	207,451
<b>Total Other Financing Sources (Uses)</b>	<u>1,277,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,070,000</u>
<b>Net Change in Fund Balances</b>	<u>832,575</u>	<u>-</u>	<u>16,681</u>	<u>40,571</u>	<u>889,827</u>
<b>Fund Balance, Beginning</b>	<u>149,320</u>	<u>255,972</u>	<u>217,321</u>	<u>24,937</u>	<u>647,550</u>
<b>Fund Balance, Ending</b>	<u>\$ 981,895</u>	<u>\$ 255,972</u>	<u>\$ 234,002</u>	<u>\$ 65,508</u>	<u>\$ 1,537,377</u>

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 889,827</b>
Governmental funds have reported capital outlays, past and present, as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(181,583)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net assets.	1,002,648
Sales of capital assets are reported as gains in the statement of net assets.	55,000
Bond and note payable proceeds received are recorded as revenue in the funds, but is recorded as a liability in the statement of net assets.	(1,015,000)
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.	245,000
Costs of issuance related to the issuance of bonds is not amortized in the funds, but is amortized as a reduction of debt in the statement of net assets.	(1,332)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expense is reported when due.	1,284
<b>Change in net assets of governmental activities</b>	<b><u>\$ 940,844</u></b>

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL – GENERAL FUND**  
**For The Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 571,000	\$ 600,000	\$ 593,553	\$ (6,447)
Licenses and permits	14,500	18,000	15,649	(2,351)
Intergovernmental revenues	277,000	820,000	903,976	83,976
Charges for services	399,000	410,000	401,101	(8,899)
Fines and forfeitures	30,000	20,000	18,722	(1,278)
Miscellaneous revenues	59,200	105,000	79,486	(25,514)
Interest	8,000	25,000	22,371	(2,629)
<b>Total Revenues</b>	<b>1,358,700</b>	<b>1,998,000</b>	<b>2,034,858</b>	<b>36,858</b>
<b>Expenditures:</b>				
General government:				
Municipal Courts	25,600	25,000	20,868	4,132
Administration	98,200	160,000	151,900	8,100
Flood Control	35,400	36,000	35,006	994
Waste Collection	95,100	85,000	79,533	5,467
TV Translator	5,000	2,500	2,249	251
Adult Center	2,000	2,000	899	1,101
Library	70,100	93,000	87,310	5,690
Airport	12,000	13,000	12,875	125
Economic Development	2,900	2,000	1,870	130
Public safety:				
Public Safety	152,600	150,000	146,357	3,643
Fire	54,400	58,000	56,757	1,243
Public health:				
Highway and public improvements	20,300	16,000	13,891	2,109
Parks, recreation and public property:				
Old City Hall	19,000	32,000	28,166	3,834
City Building	54,400	86,000	83,012	2,988
City Complex	134,000	270,000	264,320	5,680
Memorial Park	37,700	45,000	25,855	19,145
Recreation	22,400	58,000	40,486	17,514
Cemetery	94,000	86,000	82,914	3,086
Debt:				
Principal	83,000	85,000	85,000	-
Interest	13,000	12,000	11,100	900
Capital outlay:				
Fire	122,000	32,000	31,624	376
Highway and public improvements	-	650,000	645,389	4,611
Recreation	20,000	310,000	309,985	15
Cemetery	2,000	-	15,650	(15,650)
<b>Total Expenditures</b>	<b>1,370,700</b>	<b>2,571,500</b>	<b>2,479,734</b>	<b>91,766</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(12,000)</b>	<b>(573,500)</b>	<b>(444,876)</b>	<b>128,624</b>
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	1,000	55,000	55,000	-
Loan/bond proceeds	-	1,015,000	1,015,000	-
Contributions/donations	11,000	210,000	207,451	(2,549)
<b>Total Other Financing Sources</b>	<b>12,000</b>	<b>1,280,000</b>	<b>1,277,451</b>	<b>(2,549)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 706,500</b>	<b>832,575</b>	<b>\$ 126,075</b>
<b>Fund Balance, Beginning</b>			<b>149,320</b>	
<b>Fund Balance, Ending</b>			<b>\$ 981,895</b>	

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL – MUNICIPAL BUILDING AUTHORITY**  
**SPECIAL REVENUE FUND**  
**For The Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services	\$ 282,000	\$ 250,000	\$ 242,162	\$ (7,838)
Bond Proceeds	-	-	-	-
Miscellaneous revenues	-	-	-	-
Interest Revenue	5,000	10,000	10,382	382
<b>Total Revenues</b>	<u>287,000</u>	<u>260,000</u>	<u>252,544</u>	<u>(7,456)</u>
<b>Expenditures:</b>				
Parks, recreation and public property	6,500	8,000	1,500	6,500
Debt:				
Principal	160,000	160,000	160,000	-
Interest	120,500	92,000	91,044	956
Capital outlay:				
Parks, recreation and public property	500	-	-	-
<b>Total Expenditures</b>	<u>287,500</u>	<u>260,000</u>	<u>252,544</u>	<u>7,456</u>
<b>Excess (deficiency) of Revenues Over (Under) Expenditures</b>	<u>(500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (500)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance, Beginning</b>			<u>255,972</u>	
<b>Fund Balance, Ending</b>			<u>\$ 255,972</u>	

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2006**

Business-type Activities - Enterprise Funds							
	Water	Water	Sewer	Sewer	Electric	Electric	Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year
<b>Assets:</b>							
<b>Current Assets:</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 144,167	\$ 48,700	\$ 144,167
Accounts receivable, net	30,027	29,228	20,141	16,337	93,348	84,772	143,516
Inventory of supplies	5,000	5,000	280	280	134,187	149,511	139,467
Due from other funds	159,728	78,811	-	-	278,501	247,972	438,229
<b>Total Current Assets</b>	<b>194,755</b>	<b>113,039</b>	<b>20,421</b>	<b>16,617</b>	<b>650,203</b>	<b>530,955</b>	<b>865,379</b>
<b>Noncurrent Assets:</b>							
Restricted cash and cash equivalents	174,651	242,644	12,906	125,873	298,962	298,527	486,519
Capital assets, net of accumulated depreciation:							
Land	-	-	91,435	91,435	-	-	91,435
Buildings	-	-	-	-	-	-	-
Utility distribution and collection systems	4,195,609	4,347,922	1,078,456	1,136,133	1,518,095	1,677,820	6,792,160
Equipment	9,851	15,060	-	-	91,350	104,400	101,201
Deferred charges	-	-	-	-	28,445	45,347	28,445
<b>Total Noncurrent Assets</b>	<b>4,380,111</b>	<b>4,605,626</b>	<b>1,182,797</b>	<b>1,353,441</b>	<b>1,936,852</b>	<b>2,126,094</b>	<b>7,499,760</b>
<b>Total Assets</b>	<b>\$ 4,574,866</b>	<b>\$ 4,718,665</b>	<b>\$ 1,203,218</b>	<b>\$ 1,370,058</b>	<b>\$ 2,587,055</b>	<b>\$ 2,657,049</b>	<b>\$ 8,365,139</b>

The accompanying notes are an integral part of the financial statements.



**MANTI CITY CORPORATION**  
**STATEMENT OF NET ASSETS (Continued)**  
**PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2006**

	Business-type Activities - Enterprise Funds						
	Water		Sewer		Electric		Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year
<b>Liabilities:</b>							
<b>Current Liabilities:</b>							
Accounts payable	\$ 1,960	\$ 66,638	\$ 1,138	\$ 64	\$ 4,039	\$ 32,447	\$ 7,137
Accrued liabilities	30,124	34,575	4,264	2,825	53,920	44,305	88,308
Due to other funds	-	-	22,194	102,515	-	-	22,194
Customer deposits, refundable	-	-	-	-	28,589	23,500	28,589
Capital Lease	-	-	-	-	22,388	21,728	22,388
Bonds Payable	107,215	101,986	95,000	93,000	165,000	162,000	367,215
<b>Total Current Liabilities</b>	<b>139,299</b>	<b>203,199</b>	<b>122,596</b>	<b>198,404</b>	<b>273,936</b>	<b>283,980</b>	<b>535,831</b>
<b>Noncurrent Liabilities:</b>							
Capital Lease	-	-	-	-	46,832	69,229	46,832
Bonds Payable	2,875,067	2,982,282	427,000	522,000	1,169,000	1,334,000	4,471,067
<b>Total Noncurrent Liabilities</b>	<b>2,875,067</b>	<b>2,982,282</b>	<b>427,000</b>	<b>522,000</b>	<b>1,215,832</b>	<b>1,403,229</b>	<b>4,517,899</b>
<b>Total Liabilities</b>	<b>3,014,366</b>	<b>3,185,481</b>	<b>549,596</b>	<b>720,404</b>	<b>1,489,768</b>	<b>1,687,209</b>	<b>5,053,730</b>
<b>Net Assets:</b>							
Invested in capital assets, net of related debt	1,223,178	1,278,714	647,891	612,568	234,670	240,610	2,105,739
Restricted for construction	174,651	242,644	12,906	125,873	298,962	298,527	486,519
Unrestricted	162,671	11,826	(7,175)	(88,787)	563,655	430,703	719,151
<b>Total Net Assets</b>	<b>1,560,500</b>	<b>1,533,184</b>	<b>653,622</b>	<b>649,654</b>	<b>1,097,287</b>	<b>969,840</b>	<b>3,311,409</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,574,866</b>	<b>\$ 4,718,665</b>	<b>\$ 1,203,218</b>	<b>\$ 1,370,058</b>	<b>\$ 2,587,055</b>	<b>\$ 2,657,049</b>	<b>\$ 8,365,139</b>

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2006**

	Business-type Activities - Enterprise Funds						
	Water	Water	Sewer	Sewer	Electric	Electric	Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year
Operating Revenues:							
Charges for services	\$ 391,796	\$ 402,948	\$ 209,863	\$ 204,215	\$ 1,120,368	\$ 1,060,326	\$ 1,722,027
Material and labor sales	-	-	-	-	50,273	24,294	50,273
Impact Fees	4,200	21,000	-	-	-	-	4,200
Other	518	451	-	-	80,381	79,329	80,899
Total Operating Revenues	396,514	424,399	209,863	204,215	1,251,022	1,163,949	1,857,399
Operating Expenses:							
Power purchased	-	-	-	-	496,306	465,391	496,306
Salaries and wages	92,132	80,487	82,677	76,261	256,324	212,917	431,133
Materials and supplies	22,528	17,624	24,825	24,207	88,351	63,355	135,704
Depreciation	168,827	152,317	57,677	57,677	172,775	172,775	399,279
Other operating expenses	23,228	37,252	16,074	33,903	35,837	39,429	75,139
Total Operating Expenses	306,715	287,680	181,253	192,048	1,049,593	953,867	1,537,561
Operating Income (Loss)	89,799	136,719	28,610	12,167	201,429	210,082	319,838
Nonoperating Revenues (Expenses):							
Grant income	-	628,857	-	-	-	-	-
Investment earnings	6,851	5,678	2,043	1,373	14,859	7,290	23,753
Interest expense	(69,334)	(88,559)	(26,685)	(30,510)	(88,841)	(93,089)	(184,860)
Transfer in/(out)	-	(70,000)	-	600,000	-	(832,000)	-
Total Nonoperating Revenues (Expenses)	(62,483)	475,976	(24,642)	570,863	(73,982)	(917,799)	(161,107)
Changes in Net Assets	27,316	612,695	3,968	583,030	127,447	(707,717)	158,731
Net Assets, Beginning	1,533,184	920,489	649,654	66,624	969,840	1,677,557	3,152,678
Net Assets, Ending	\$ 1,560,500	\$ 1,533,184	\$ 653,622	\$ 649,654	\$ 1,097,287	\$ 969,840	\$ 3,311,409

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2006**

Business-type Activities - Enterprise Funds						
	Water	Water	Sewer	Sewer	Electric	Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Current Year
<b>Cash Flows From Operating Activities:</b>						
Receipts from customers and users	\$ 395,717	\$ 423,723	\$ 206,059	\$ 203,403	\$ 1,247,535	\$ 1,849,311
Payments to suppliers	(110,433)	(265,732)	(39,825)	(60,174)	(633,576)	(783,834)
Payments to employees and related benefits	(95,537)	(164,517)	(81,238)	(76,239)	(269,917)	(446,692)
Net cash flows from operating activities	189,747	(6,526)	84,996	66,990	344,042	618,785
<b>Cash Flows From Capital and Related Financing</b>						
Grants	-	628,857	-	-	-	-
Proceeds from bond issuance	-	318,421	-	-	-	-
Principal paid on bonds	(101,986)	(61,732)	(93,000)	(89,000)	(162,000)	(356,986)
Interest paid	(70,381)	(70,544)	(26,685)	(30,510)	(48,733)	(145,799)
Principal paid on lease	-	-	-	-	(21,737)	(21,737)
Net cash flows from capital and related financing activities:	(172,367)	815,002	(119,685)	(119,510)	(232,470)	(524,522)
<b>Cash Flows From Non-Capital Financing Activities:</b>						
Transfers in	-	-	-	600,000	-	-
Transfers out	-	(70,000)	-	-	(832,000)	-
Due to other funds	-	-	(80,321)	(433,479)	-	(80,321)
Net cash flows from non-capital financing activities:	-	(70,000)	(80,321)	166,521	-	(80,321)
<b>Cash Flows From Investing Activities:</b>						
Interest on investments	6,851	5,678	2,043	1,372	14,859	23,753
Purchase of equipment/improvements	(11,307)	(510,632)	-	-	-	(11,307)
Due from other funds	(80,917)	(49,336)	-	-	(30,529)	(111,446)
Net cash flows from investing activities	(85,373)	(554,290)	2,043	1,372	(15,670)	(99,000)
Net Increase (Decrease) In Cash	(67,993)	184,186	(112,967)	115,373	95,902	(85,058)
Cash At Beginning Of Year	242,644	58,458	125,873	10,500	347,227	715,744
Cash At End Of Year	\$ 174,651	\$ 242,644	\$ 12,906	\$ 125,873	\$ 443,129	\$ 630,686

The accompanying notes are an integral part of the financial statements.

### Business-type Activities - Enterprise Funds

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUND**  
**June 30, 2006**

**Assets:**

Cash	<u>\$ 1,766</u>
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**Liabilities:**

Due to organizations	<u>\$ 1,766</u>
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The accompanying notes are an integral part of the financial statements.

## MANTI CITY CORPORATION NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Manti City Corporation (the City) operates under a council form of government and provides the following services as authorized by its charter: public safety, public health, highways, recreation, water, sewer, and electric.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

#### The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB pronouncement. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The Manti City Municipal Building Authority, an entity legally separate from the City is governed by the members of the City Council. For financial reporting purposes, the Municipal Building Authority is reported as if it were part of the City's operations because its purpose is to finance and provide an office building for citizens of the City. The Municipal Building Authority is presented as a special revenue fund.

The City's basic financial statements include all City operations.

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-Wide and Fund Financial Statements (Continued)

properly included among program revenues are reported instead as *general revenues*, as are internally dedicated resources.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they become an enforceable lien. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except for those required to be accounted for in another fund.

The Municipal Building Authority Special Revenue Fund accounts for the rental revenues from the City Building and the related bond payments.

The Permanent Fund is used to account for the City's cemetery care.

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's water distribution system.

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Sewer Fund accounts for the activities of the City's sewer collection operations.

The Electric Fund accounts for the activities of the City's electricity distribution system.

Additionally, the City reports the following fund types:

Special Revenue funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The City accounts for the Business Development and the Manti Pageant Service Organization in special revenue funds.

The Agency fund is used to account for assets held by the City in a trustee capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund, the Sewer enterprise fund, and the Electric enterprise fund are charges to customers of the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary Data

The City Council follows these procedures in establishing the budgetary data reflected in the financial statement –

- (1) Prior to May 1, the City Recorder submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted in the City to obtain taxpayer comments.
- (3) Prior to June 22, the budget is formally adopted after a public hearing.



**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgetary Data (Continued)

- (4) The City Council is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of any fund must be approved at a public hearing.

Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were adopted.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalents accounts and the restricted cash and cash equivalents accounts.

Investments

Investments of the City are stated at cost, which approximates fair value.

Inventory

Inventories of the enterprise funds are stated at cost using the first in first out method.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased, or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, equipment and infrastructure are depreciated using the straight line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Utility distribution and collection systems	40
Infrastructure	30-50
Vehicles	5-20
Equipment	10-20

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property Taxes

Property taxes attach as an enforceable lien on property as of the first of January. Taxes are levied on October 1 and are due and payable at November 30.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balances - Reserved

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. The reserved fund balance for the Governmental Activities includes: funds received from private donations that are to be used exclusively for future operations of the City library, amounts received which must be expended for specific construction projects, and amounts which contractually must be held to pay debts. The Business-type Activities also has reserved fund balance for amounts received which must be used for specific construction projects.

Comparative Data

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

**NOTE 2 CASH AND CASH EQUIVALENTS**

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

*Custodial credit risk – deposits* is the risk that in the event of bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council. As of June 30, 2006, \$243,663 of the local government's bank balances of \$343,663 was uninsured and uncollateralized.

*Custodial credit risk – investments* is the risk that in the event of the failure of the counterparty, the local government will not be able to recover the value of its investment that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

*Credit risk* is the risk that the counterparty to an investment will not fulfill its obligations. The City policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investment include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; banker acceptances; obligations of the U.S. Treasury and U.S. government sponsored

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 2 CASH AND CASH EQUIVALENTS (Continued)**

enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined by the Act.

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the City had investments of \$2,654,982 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

As of June 30, 2006, the City had the following deposits and investments:

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Cash on hand and on deposit:			
Cash on hand	\$ 450	N/A	N/A
Cash on deposit	150,283	N/A	N/A
Utah State Treasurer's investment pool account	2,654,981	N/A	N/A
<b>Total cash and investments</b>	<u><u>\$ 2,805,714</u></u>		

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

*Interest rate risk* is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

*Concentration of credit risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 3 RESTRICTED ASSETS**

Certain assets are restricted to use as follows as of June 30, 2006:

Restricted for library	\$ 107,025
Restricted for construction of aquatic center	1,215,580
Restricted for improvements to the old city hall	1,331
Restricted for animal shelter	10,356
Restricted for MIBA building improvements	6,549
Restricted for bond payments	251,375
Restricted revenue for future construction	489,607
Restricted for cemetery perpetual care	234,002
<b>Total</b>	<b>\$ 2,315,825</b>

**NOTE 4 ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The allowance for doubtful accounts receivable at June 30, 2006 for all funds is \$14,400.

**NOTE 5 CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 206,616	\$ 25,525	\$ -	\$ 232,141
Construction in progress	-	316,084	-	316,084
<b>Total capital assets, not being depreciated</b>	<b>206,616</b>	<b>341,609</b>	<b>-</b>	<b>548,225</b>
<b>Capital assets, being depreciated:</b>				
Buildings	3,074,264	-	-	3,074,264
Machinery and equipment	406,141	30,650	-	436,791
Infrastructure	2,346,532	630,389	-	2,976,921
<b>Total capital assets being depreciated</b>	<b>5,826,937</b>	<b>661,039</b>	<b>-</b>	<b>6,487,976</b>
<b>Less accumulated depreciation for:</b>				
Buildings	692,975	92,395	-	785,370
Machinery and equipment	266,434	15,889	-	282,323
Infrastructure	849,170	73,299	-	922,469
<b>Total accumulated depreciation</b>	<b>1,808,579</b>	<b>181,583</b>	<b>-</b>	<b>1,990,162</b>
<b>Total capital assets, being depreciated, net</b>	<b>4,018,358</b>	<b>479,456</b>	<b>-</b>	<b>4,497,814</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 4,224,974</b>	<b>\$ 821,065</b>	<b>\$ -</b>	<b>\$ 5,046,039</b>

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 5 CAPITAL ASSETS AND DEPRECIATION (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 91,435	\$ -	\$ -	\$ 91,435
<b>Total capital assets, not being depreciated</b>	<u>91,435</u>	<u>-</u>	<u>-</u>	<u>91,435</u>
<b>Capital assets, being depreciated:</b>				
Buildings	27,100	-	-	27,100
Utility distribution and collection systems	12,063,261	11,307	-	12,074,568
Machinery and equipment	429,430	-	-	429,430
<b>Total capital assets being depreciated</b>	<u>12,519,791</u>	<u>11,307</u>	<u>-</u>	<u>12,531,098</u>
<b>Less accumulated depreciation for:</b>				
Buildings	27,100	-	-	27,100
Utility distribution and collection systems	4,901,387	381,021	-	5,282,408
Machinery and equipment	309,971	18,258	-	328,229
<b>Total accumulated depreciation</b>	<u>5,238,456</u>	<u>399,279</u>	<u>-</u>	<u>5,637,737</u>
<b>Total capital assets, being depreciated, net</b>	<u>7,281,335</u>	<u>(387,972)</u>	<u>-</u>	<u>6,893,361</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 7,372,770</u>	<u>\$ (387,972)</u>	<u>\$ -</u>	<u>\$ 6,984,796</u>

Depreciation expenses were charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 1,725
Public safety	8,983
Public health	-
Highways and streets, including depreciation of general infrastructure assets	77,823
Park, recreation and public property	<u>93,052</u>
<b>Total depreciation expense - governmental activities</b>	<u>\$ 181,583</u>
<b>Business-type activities:</b>	
Water	\$ 168,827
Sewer	57,677
Electric	<u>172,775</u>
<b>Total depreciation expense - business-type activities</b>	<u>\$ 399,279</u>

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 6 DEFERRED REVENUE**

Deferred revenue is a combination of deferred property tax revenue, and donations for various projects.

In conjunction with the implementation of GASB pronouncement 33 "*Accounting and Financial Reporting for Nonexchange Transactions*" the City has accrued a property tax receivable and deferred property tax revenue in the amount of \$150,000.

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1 and then are due and payable at November 30. Since the property tax to be levied on October 1, 2006 is not expected to be received within 60 days after year ended June 30, 2006, the City is required to record a receivable and deferred revenue of the estimated amount of the total property tax to be levied on October 1, 2006.

As of June 30, 2006 the City received donations to building a swimming pool and restore the old city hall totaling \$211,758 and \$1,406 respectively. In addition the City received a grant for an animal shelter for \$10,356. The donations and grant will not be recorded as revenue until the funds have been expended for the respective projects.

**NOTE 7 LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended June 30, 2006.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
<b>Governmental Activities:</b>					
General obligation bonds					
Streets 1993	\$ 336,000	\$ -	\$ 63,000	\$ 273,000	\$ 65,000
Streets 1994	34,000	-	6,000	28,000	7,000
Series 2005	-	1,000,000	-	1,000,000	-
	<u>370,000</u>	<u>1,000,000</u>	<u>69,000</u>	<u>1,301,000</u>	<u>72,000</u>
Revenue bonds					
Public building 1999	1,890,000	-	100,000	1,790,000	105,000
Public building 2004	321,000	-	60,000	261,000	62,000
Streets 2002	142,334	-	16,000	126,334	16,000
	<u>2,353,334</u>	<u>-</u>	<u>176,000</u>	<u>2,177,334</u>	<u>183,000</u>
Notes payable	-	15,000	-	15,000	5,000
<b>Total governmental activity long-term liabilities</b>	<u>\$ 2,723,334</u>	<u>\$ 1,015,000</u>	<u>\$ 245,000</u>	<u>\$ 3,493,334</u>	<u>\$ 260,000</u>

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
<b>Business-type Activities:</b>					
<b>Water fund</b>					
Subordinated water 1990	\$ 174,000	\$ -	\$ 28,000	\$ 146,000	\$ 29,000
Water parity 1998	1,474,000	-	33,000	1,441,000	36,000
Water parity 2003A	939,000	-	36,000	903,000	37,000
Water parity 2003B	497,268	-	4,986	492,282	5,215
<b>Water Fund Total</b>	<b>3,084,268</b>	<b>-</b>	<b>101,986</b>	<b>2,982,282</b>	<b>107,215</b>
<b>Sewer fund</b>					
Sewer refunding 1992A	22,000	-	4,000	18,000	3,000
Sewer refunding 1992B	574,000	-	86,000	488,000	89,000
Sewer refunding 1992C	19,000	-	3,000	16,000	3,000
<b>Sewer Fund Total</b>	<b>615,000</b>	<b>-</b>	<b>93,000</b>	<b>522,000</b>	<b>95,000</b>
<b>Electric fund</b>					
Electric Refunding 1996	250,000	-	80,000	170,000	80,000
Electric Revenue 2002A	1,246,000	-	82,000	1,164,000	85,000
Capital lease	90,957	-	21,737	69,220	22,388
<b>Electric Fund Total</b>	<b>1,586,957</b>	<b>-</b>	<b>183,737</b>	<b>1,403,220</b>	<b>187,388</b>
<b>Total business-type activity long-term liabilities</b>	<b>\$ 5,286,225</b>	<b>\$ -</b>	<b>\$ 378,723</b>	<b>\$ 4,907,502</b>	<b>\$ 389,603</b>

Payments made on bond and capital leases which pertain to the City's governmental activities with the exception of the Public Building Bonds, are made by the General Fund. The Public Building Bonds are paid by the Municipal Building Authority Special Revenue Fund.

The City has pledged as collateral for the revenue bonds only their respective water, sewer, and power facilities and the revenues therefrom.

On February 22, 1997, the City refinanced \$800,000 in 1988-A series bonds with a new \$833,000 bond issue. Associated with this bond refinance were underwriting and issuance costs of \$160,787. These costs are being amortized on a straight line basis over the life of the new bond issue of eleven years. Amortization expense for the period was \$14,617.

On December 20, 2002, the City refinanced \$1,457,551 in 1990 series bonds with a new \$1,463,000 bond issue. Associated with this bond refinance were issuance costs of \$22,854. These costs are being amortized on a straight-line basis over the life of the new bond issue of ten years. Amortization expense for the period was \$2,285. The transaction resulted in an economic gain of \$231,371 and a reduction of \$372,525 in future debt service payments.

On June 14, 2002 the Division of Drinking Water authorized a loan of \$1,074,000 along with a forgiveness of repayment of \$215,000 of the loan. On October 10, 2003 the Division authorized an increase of \$100,000 along with a forgiveness of \$20,000 of the increase at the same terms and conditions as the original loan. The revised loan amount was \$1,174,000 with a total principal forgiveness of \$235,000 and repayable principal of \$939,000 over a period of 20 years at a rate of 2.60%.

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

The City issued Water Parity Bonds Series 2003B for \$500,000 payable in monthly installments of \$2,270.00 with an interest rate of 4.50%. The bond is payable for 40 years.

On June 15, 2004 the Municipal Building Authority issued the Lease Revenue Bonds Series 2004 for \$321,000. The bonds carry a variable interest rate of 2.30% to 3.90%. Interest payments are made semi-annually with principal payments annually.

In July of 2005 the City issued the General Obligation Bond Series 2005 for \$1,000,000, payable in yearly payments of \$50,000, to construct the City's Aquatic Center. The first payment is due January 1, 2008. These bonds carry no interest rate.

In July of 2005 the city entered into an agreement with Sanpete County to purchase a road grader for \$15,000. The agreement calls for three yearly payments of \$5,000 with no interest payments.

**Capital Leases**

The City has entered into a capital lease agreement for the purchase of two trucks, a bucket and a line truck. The leased property of \$130,500 (with accumulated depreciation of \$39,150) is included in the electric fund. The lease agreement calls for monthly payments of \$2,013.

The following is a schedule by year of the future minimum lease payments under the capital lease:

<u><b>Year Ending June 30, 2006</b></u>	<u><b>Amount</b></u>
2007	\$ 24,159
2008	24,159
2009	<u>24,159</u>
Total future minimum lease payments	72,477
Imputed Interest	<u>(3,257)</u>
<b>Present Value of Capital Lease</b>	<u><u>\$ 69,220</u></u>



**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

The following is a schedule of the future minimum payments for all long term debt:

Fiscal Year Ended June 30	Note Payable		Capital Lease		General Obligation Bonds			
	Principal	Interest	Principal	Interest	Streets 1993		Streets 1994	
					Principal	Interest	Principal	Interest
2007	\$ 5,000	No	\$ 22,388	\$ 1,771	\$ 65,000	\$ 8,190	\$ 7,000	\$ 840
2008	5,000	Interest	23,070	1,089	67,000	6,240	7,000	630
2009	5,000	Charged	23,762	388	69,000	4,230	7,000	420
2010	-	-	-	-	72,000	2,160	7,000	210
2011	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-
2026-2030	-	-	-	-	-	-	-	-
2031-2035	-	-	-	-	-	-	-	-
2036-2040	-	-	-	-	-	-	-	-
	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 69,220</u>	<u>\$ 3,248</u>	<u>\$ 273,000</u>	<u>\$ 20,820</u>	<u>\$ 28,000</u>	<u>\$ 2,100</u>
	Interest Rate: None Charged		Interest Rate: 3.0% - 5.9%		Interest Rate: 3.0%		Interest Rate: 3.0%	

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

Fiscal Year Ended June 30	G.O Bonds		Revenue Bonds					
	Aquatic Center 2005		Public Building 1999		Public Building 2004		Streets 2002	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ -	No	\$ 105,000	\$ 107,143	\$ 62,000	\$ 6,952	\$ 16,000	No
2008	50,000	Interest	110,000	100,790	64,000	5,664	16,000	Interest
2009	50,000	Charged	115,000	94,135	66,000	3,775	16,000	Charged
2010	50,000	-	125,000	87,120	69,000	1,346	16,000	-
2011	50,000	-	100,000	79,433	-	-	16,000	-
2012	50,000	-	110,000	73,483	-	-	16,000	-
2013	50,000	-	115,000	66,938	-	-	16,000	-
2014	50,000	-	120,000	60,095	-	-	14,334	-
2015	50,000	-	130,000	52,955	-	-	-	-
2016	50,000	-	135,000	45,220	-	-	-	-
2017	50,000	-	145,000	37,188	-	-	-	-
2018	50,000	-	150,000	28,560	-	-	-	-
2019	50,000	-	160,000	19,635	-	-	-	-
2020	50,000	-	170,000	10,115	-	-	-	-
2021	50,000	-	-	-	-	-	-	-
2022	50,000	-	-	-	-	-	-	-
2023	50,000	-	-	-	-	-	-	-
2024	50,000	-	-	-	-	-	-	-
2025	50,000	-	-	-	-	-	-	-
2026-2030	100,000	-	-	-	-	-	-	-
2031-2035	-	-	-	-	-	-	-	-
2036-2040	-	-	-	-	-	-	-	-
	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,790,000</u>	<u>\$ 862,810</u>	<u>261,000</u>	<u>\$ 17,737</u>	<u>\$ 126,334</u>	<u>\$ -</u>
	Interest Rate: None Charged		Interest Rate: 5.85% - 6.15% Adjusted annually		Interest Rate: 2.3% - 3.9% Adjusted annually		Interest Rate: None Charged	

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

Revenue Bonds								
Fiscal Year Ended June 30	Subordinated Water 1990		Water Parity 1998		Water Parity 2003A		Water Parity 2003B	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 29,000	\$ 1,470	\$ 36,000	\$ 20,685	\$ 37,000	\$ 22,516	\$ 5,215	\$ 22,025
2008	29,000	1,180	39,000	20,145	38,000	21,528	5,455	21,785
2009	29,000	890	43,000	19,560	39,000	20,514	5,705	21,535
2010	30,000	600	71,000	18,915	40,000	19,474	5,967	21,273
2011	29,000	300	75,000	17,850	41,000	18,408	6,242	20,998
2012	-	-	79,000	16,725	43,000	17,290	6,528	20,712
2013	-	-	107,000	15,540	44,000	16,146	6,828	20,412
2014	-	-	112,000	13,935	45,000	14,976	7,142	20,098
2015	-	-	124,000	12,255	46,000	13,780	7,470	19,770
2016	-	-	129,000	10,395	47,000	12,558	7,813	19,427
2017	-	-	134,000	8,460	48,000	11,310	8,172	19,068
2018	-	-	139,000	6,450	50,000	10,010	8,548	18,692
2019	-	-	145,000	4,365	51,000	8,684	8,940	18,300
2020	-	-	146,000	2,190	52,000	7,332	9,351	17,889
2021	-	-	62,000	620	54,000	5,928	9,780	17,460
2022	-	-	-	-	55,000	4,498	10,230	17,010
2023	-	-	-	-	56,000	3,042	10,700	16,540
2024	-	-	-	-	58,000	1,534	11,191	16,049
2025	-	-	-	-	59,000	-	64,157	72,043
2026-2030	-	-	-	-	-	-	80,312	55,888
2031-2035	-	-	-	-	-	-	100,534	35,666
2036-2040	-	-	-	-	-	-	106,002	10,668
	<u>\$ 146,000</u>	<u>\$ 4,440</u>	<u>\$ 1,441,000</u>	<u>\$ 188,090</u>	<u>\$ 903,000</u>	<u>\$ 229,528</u>	<u>\$ 492,282</u>	<u>\$ 523,308</u>
	Interest Rate: 1.0%		Interest Rate: 1.5%		Interest Rate: 2.6%		Interest Rate: 2.6%	

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

Fiscal Year Ended June 30	Revenue Bonds					
	Sewer Refunding 1992A		Sewer Refunding 1992B		Sewer Refunding 1992C	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 3,000	No	\$ 89,000	\$ 22,960	\$ 3,000	\$ 720
2008	4,000	Interest	93,000	17,955	3,000	585
2009	4,000	Charged	98,000	13,770	3,000	450
2010	4,000	-	102,000	9,360	3,000	315
2011	3,000	-	106,000	5,770	4,000	180
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026-2030	-	-	-	-	-	-
2031-2035	-	-	-	-	-	-
2036-2040	-	-	-	-	-	-
	<u>\$ 18,000</u>	<u>\$ -</u>	<u>\$ 488,000</u>	<u>\$ 69,815</u>	<u>\$ 16,000</u>	<u>\$ 2,250</u>
	Interest Rate: None Charged		Interest Rate: 4.5%		Interest Rate: 4.5%	

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

Fiscal Year Ended June 30	Revenue Bonds				Total		
	Electric Refunding 1996		2002A Electric System Revenue		Principal	Interest	Total
	Principal	Interest	Principal	Interest			
2007	\$ 80,000	\$ 7,888	\$ 85,000	\$ 57,071	\$ 649,603	\$ 280,231	\$ 929,834
2008	90,000	3,566	88,000	54,053	731,525	255,210	986,735
2009	-	-	91,000	50,753	664,467	230,420	894,887
2010	-	-	95,000	47,159	689,967	207,932	897,899
2011	-	-	99,000	43,311	529,242	186,250	715,492
2012	-	-	103,000	39,153	407,528	167,363	574,891
2013	-	-	108,000	34,673	446,828	153,709	600,537
2014	-	-	114,000	28,463	462,476	137,567	600,043
2015	-	-	120,000	21,908	477,470	120,668	598,138
2016	-	-	127,000	15,008	495,813	102,608	598,421
2017	-	-	134,000	7,705	519,172	83,731	602,903
2018	-	-	-	-	397,548	63,712	461,260
2019	-	-	-	-	414,940	50,984	465,924
2020	-	-	-	-	427,351	37,526	464,877
2021	-	-	-	-	175,780	24,008	199,788
2022	-	-	-	-	115,230	21,508	136,738
2023	-	-	-	-	116,700	19,582	136,282
2024	-	-	-	-	119,191	17,583	136,774
2025	-	-	-	-	173,157	72,043	245,200
2026-2030	-	-	-	-	180,312	55,888	236,200
2031-2035	-	-	-	-	100,534	35,666	136,200
2036-2040	-	-	-	-	106,002	10,668	116,670
	<u>\$ 170,000</u>	<u>\$ 11,454</u>	<u>\$ 1,164,000</u>	<u>\$ 399,254</u>	<u>\$ 8,400,836</u>	<u>\$ 2,334,854</u>	<u>\$ 10,735,690</u>
	Interest Rate: 5.05%-5.3%		Interest Rate: 2.3% - 5.75%				
	Adjusted annually		Adjusted Annually				

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 8 DEFINED BENEFIT PENSION PLAN**

Plan Description

Manti City Corporation contributes to the Local Government Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by State legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also established the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Manti City Corporation is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Manti City Corporation's contributions to the Noncontributory Retirement Systems for June 30, 2006, 2005, and 2004 were \$54,660, \$53,214 and \$42,192, respectively. The contributions were equal to the required contributions for each year.

The City participates in a deferred compensation plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. During the years ended June 30, 2006, 2005, and 2004 employer contributions were \$13,526, \$10,998 and \$9,923, respectively. Employee contributions were \$23,361, \$21,322 and \$18,962 for the same periods. Plan assets are held by the Utah Retirement Systems.

**NOTE 9 RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions and natural disasters. The City participates in the Utah Local Government Insurance Trust (Trust), a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2006 there were not outstanding unpaid claims. Also, the City had no claim settlements during the three years ending June 30, 2006 which exceeded its insurance coverage.

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 10 JOINT VENTURE**

The Utah Municipal Power Agency (UMPA) was created jointly as a separate legal entity and political subdivision of the State of Utah by an agreement dated September 17, 1980, pursuant to the provisions of the Utah Interlocal Cooperation Act. UMPA's membership consists of six municipalities. UMPA's purposes include planning, financing, development, acquisition, construction, improvement, betterment, operation, or maintenance of projects for the generation, transmission and distribution of electric energy for the benefit of the member municipalities. UMPA has issued revenue bonds to purchase an interest in various electrical generation facilities to provide power to its members. Under the terms of the S-1 Power Sales Agreement the members are obligated to pay their proportionate share, based upon members' energy purchases, of all operation and maintenance expenses and debt service on the revenue bonds incurred by UMPA. Furthermore, they are obligated to purchase all of their energy needs from UMPA.

UMPA is governed by a Board of Directors. Each member appoints one director to the Board. All decisions of the Board are made by majority vote, except in specific decisions as described in the Interlocal Cooperation Agreement where votes shall be by number of megawatt hours sold.

Below is a summary of the financial position of UMPA. Complete separate financial statements for the agency may be obtained at Utah Municipal Power Agency, 40 South Main, Spanish Fork, Utah 84660.

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 10 JOINT VENTURE (Continued)**

**Utah Municipal Power Agency**  
**Balance Sheet**  
**June 30, 2006**

**Assets**

Current assets	\$ 41,320,089
Deferred charges and other assets	642,240
Net utility plant and equipment	<u>19,137,910</u>
<b>Total Assets</b>	<b><u>\$ 61,100,239</u></b>

**Membership Capital and Liabilities**

Current liabilities	\$ 8,118,872
Deffered revenues	10,963,139
Long-term liabilities	<u>42,014,878</u>
<b>Total Liabilities</b>	<b>61,096,889</b>
Membership Capital	<u>3,350</u>
<b>Total Liabilities and Capital</b>	<b><u>\$ 61,100,239</u></b>

**Utah Municipal Power Agency**  
**Statements of Revenues and Expenses**  
**For the Year Ended June 30, 2006**

Total operating revenue	\$ 70,251,407
Total operating expenses	<u>58,041,449</u>
Net operating income (loss)	12,209,958
Total non-operating income (expense)	<u>(12,209,958)</u>
<b>Change in net assets</b>	<b><u>\$ -</u></b>

UMPA bills members at rates sufficient to cover the costs of operating and maintaining the Agency and the costs of debt service, but not items such as depreciation and amortization. Thus, any gain or loss results in a decrease or increase in subsequent billings to members, rather than increasing or decreasing member's equity as would normally be expected. The current member's equity only reflects the original investment from members, less the amount returned to two cities which withdrew from UMPA.



**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 11 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2006 is as follows:

Due to/from other funds:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ -	\$ 416,035
Water	159,728	-
Sewer	-	22,194
Electric	278,501	-
	<u>\$ 438,229</u>	<u>\$ 438,229</u>

There were no interfund transfers for the year ended June 30, 2006.

**SUPPLEMENTAL INFORMATION**

**MANTI CITY CORPORATION**  
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2006**

	<b>Special Revenue</b>		<b>Total Nonmajor Governmental Funds</b>
	<b>Business Development</b>	<b>Manti Pageant Service Organization</b>	
<b>Assets:</b>			
Cash and cash equivalents	\$ 7,331.00	\$ 86,861	\$ 94,192
Restricted assets:			
Cash and cash equivalents	6,549	-	6,549
Accounts Receivable	25,000	6,376	31,376
<b>Total Assets</b>	<b>\$ 38,880</b>	<b>\$ 93,237</b>	<b>\$ 132,117</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 16.00	\$ 41,593	\$ 41,609
Deferred revenue	25,000	-	25,000
<b>Total Liabilities</b>	<b>25,016</b>	<b>41,593</b>	<b>66,609</b>
<b>Fund Balances:</b>			
Unreserved, reported in:			
Business Development	13,864	-	13,864
Manti Pageant Service Organization	-	51,644	51,644
<b>Total Fund Balances</b>	<b>13,864</b>	<b>51,644</b>	<b>65,508</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 38,880</b>	<b>\$ 93,237</b>	<b>\$ 132,117</b>

**MANTI CITY CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2006**

	Special Revenue		
	Business Development	Manti Pageant Service Organization	Total Governmental Funds
<b>Revenues:</b>			
Charges for services	\$ 16,237	\$ 85,412	\$ 101,649
Miscellaneous revenues	25,000	10,688	35,688
Interest	147	-	147
<b>Total Revenues</b>	<b>41,384</b>	<b>96,100</b>	<b>137,484</b>
<b>Expenditures:</b>			
Current:			
General government	-	67,463	67,463
Parks, recreation and public property	29,450	-	29,450
<b>Total Expenditures</b>	<b>29,450</b>	<b>67,463</b>	<b>96,913</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>11,934</b>	<b>28,637</b>	<b>40,571</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in (out)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>11,934</b>	<b>28,637</b>	<b>40,571</b>
<b>Fund Balance, Beginning</b>	<b>1,930</b>	<b>23,007</b>	<b>24,937</b>
<b>Fund Balance, Ending</b>	<b>\$ 13,864</b>	<b>\$ 51,644</b>	<b>\$ 65,508</b>

**MANTI CITY CORPORATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**- BUDGET AND ACTUAL - NONMAJOR BUSINESS DEVELOPMENT SPECIAL**  
**REVENUE FUND**  
**For The Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Charges for services	\$ 13,900	\$ 44,000	\$ 16,237	\$ (27,763)
Miscellaneous revenues	-	-	25,000	25,000
Interest	200	1,000	147	(853)
<b>Total Revenues</b>	<b>14,100</b>	<b>45,000</b>	<b>41,384</b>	<b>(3,616)</b>
<b>Expenditures:</b>				
Current:				
Parks, recreation and public property	35,700	32,000	29,450	2,550
<b>Total Expenditures</b>	<b>35,700</b>	<b>32,000</b>	<b>29,450</b>	<b>2,550</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(21,600)</b>	<b>13,000</b>	<b>11,934</b>	<b>1,697</b>
<b>Other Financing Sources (Uses):</b>				
Donations	21,600	-	-	-
<b>Total Other Financing Sources</b>	<b>21,600</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 13,000</b>	<b>11,934</b>	<b>\$ (1,066)</b>
<b>Fund Balance, Beginning</b>			<b>1,930</b>	
<b>Fund Balance, Ending</b>			<b>\$ 13,864</b>	

**MANTI CITY CORPORATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE – BUDGET AND ACTUAL – NONMAJOR MANTI PAGEANT SERVICE**  
**ORGANIZATION SPECIAL REVENUE FUND**  
**For The Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services	\$ 73,000	\$ 90,000	\$ 85,412	\$ (4,588)
Miscellaneous revenues	500	10,000	10,688	688
<b>Total Revenues</b>	<u>73,500</u>	<u>100,000</u>	<u>96,100</u>	<u>(3,900)</u>
<b>Expenditures:</b>				
Current:				
General government	73,500	100,000	67,463	32,537
<b>Total Expenditures</b>	<u>73,500</u>	<u>100,000</u>	<u>67,463</u>	<u>32,537</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>28,637</u>	<u>\$ 28,637</u>
<b>Fund Balance, Beginning</b>			<u>23,007</u>	
<b>Fund Balance, Ending</b>			<u>\$ 51,644</u>	

**MANTI CITY CORPORATION**  
**SCHEDULE OF WATER IMPACT FEES**  
**June 30, 2006**

During the 2000 fiscal year the City implemented a water impact fee to assist the City in upgrading the water distribution system. The following schedule indicates the amount of the fees collected and spent. The amounts spent were to assist with the bond payments for the Water Revenue Bonds Series A and B. These two bonds require payments of approximately \$60,000 and \$27,000 each year. The bonds were issued in order for the City to construct a new one million gallon water storage tank to supplement the existing storage tank, upgrade City springs and delivery lines, and establish pressure zones.

Fiscal Year Ended	Amount Collected	Amount Spent	Cumulative Total
2000	\$ 20,235	\$ -	\$ 20,235
2001	14,862	-	35,097
2002	15,400	-	50,497
2003	33,250	-	83,747
2004	16,440	-	100,187
2005	21,000	63,162	58,025
2006	4,200	62,225	-



**HINTONBURDICK**  
HINTON BURDICK HALL & SPILKER PLLC  
**CPAs & ADVISORS**

**INDEPENDENT AUDITORS' REPORT ON  
STATE OF UTAH LEGAL COMPLIANCE**

Honorable Mayor and  
Members of City Council  
Manti City Corporation  
Manti, Utah

**MEMBERS:**  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

We have audited the basic financial statements of Manti City Corporation, for the year ended June 30, 2006, and have issued our report thereon dated December 11, 2006. As part of our audit, we have audited Manti City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

B&C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation and Property Tax Limitations  
Liquor Law Enforcement  
Justice Courts  
B & C Road Funds  
Other General Compliance Issues  
Impact Fees  
Asset Forfeiture

The management of Manti City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying *Schedule of Findings and Recommendations*. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.



In our opinion, Manti City Corporation complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

*Hinton Burdick Hall & Spilker PLLC*

HINTON, BURDICK, HALL & SPILKER, PLLC  
December 11, 2006



## FINDINGS AND RECOMMENDATIONS

Honorable Mayor and  
Members of City Council  
Manti City Corporation  
Manti, Utah

MEMBERS:  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

We wish to commend the City for their administrative achievements and oversight of the City's accounting and budgeting system this last fiscal year. During our audit of the funds of Manti City for the fiscal year ended June 30, 2006 we noted a few areas needing corrective action in order for the City to be in compliance with laws and regulations and we found a few circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

### Compliance Findings and Recommendations:

#### 05-1. Minimum Fund Balance

##### Finding

Utah Code 10-6-116(4) indicates that only the fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes. The remaining 5% must be maintained as a minimum fund balance. Although the City has not appropriated fund balance for the fiscal year 2007 budget. The City's unreserved fund balance is less than the required 5% minimum fund balance requirement.

##### Recommendation

We recommend that the City consider methods for increasing the General fund unreserved balance in order to be in compliance with State law.

#### 05-2. Bond Reserve Requirements

We noted that the Bond Reserve Funds have not been properly funded as required by the bond covenants.

##### Recommendation

We recommend that the City fund the Bond Reserve accounts and make the required annual bond reserve fund installment as required.

## **General Findings and Recommendations:**

### **06-1. Time Sheet Review**

#### **Finding**

Apparently the City's department heads have not been documenting all of their reviews of time sheets submitted by City staff.

#### **Recommendation**

In order to provide more control over the City's payroll, we recommend that department heads review all time sheets and that the reviews be documented by signature or other means.

### **06-2. Documentation of Cash Receipts**

#### **Finding**

We noted that in some instances the City did not retain complete documentation of cash receipts for selected types of receipts such as grants, sales and other non-routine transactions. Copies of checks or other support if properly maintained in a daily or monthly cash receipts packet would improve the audit trail and the ability to properly record cash receipts in the City's accounting system in a timely manner.

#### **Recommendation**

We recommend that the City consider establishing procedures to document the nature of selected types of receipts such as grants, sales and other non-routine transactions in order to improve the audit trail and the ability to properly record cash receipts in the City's accounting system in a timely manner.

### **06-3. Grant Management**

#### **Finding**

We noted that there appeared to be some lack of communication between individuals in charge of grant management and the accounting functions of the City. This lack of communication resulted in the untimely posting of various accounting adjustments for accruals and other transactions. It also caused inefficiencies in the accounting process. Also, in one instance we noted that there was a disbursement listed on a request for reimbursement that was subsequently voided with another check issued to the same vendor for \$10,000 less. We noted that the reports submitted subsequent to the voided and reissued check were not amended; however, after contacting the grant agency, it was determined that the transaction in question was cleared.

#### **Recommendation**

We recommend that the City consider the effectiveness of more open communication between those in charge of grant management and those involved with the accounting functions and that grant files and reports be maintained such that grant reports can be reconciled to the accounting records in a timely manner.

04-1. Segregation of Duties

Finding

The City continues to lack a complete segregation of duties in two areas. The same individual receipts court fines and also records court transactions in the docket. This same individual is also authorized to make adjustments to the court docket for certain waivers of fines and/or fees. Also, the individual who records all of the Ambulance Association transactions (except that billings are done by an outside service organization) also prepares bank reconciliations, handles cash disbursements and makes payments online.

We noted mitigating controls in place, such as various independent reviews, such that this lack of segregation is no longer considered a significant or material weakness. We choose to continue to mention proper segregation in order to remind management of its importance until such time as the City has the need for additional staff and can fully segregate custody of assets and recording functions.

Recommendation

We recommend that the management continue the independent reviews/controls and consider ways that segregation of duties can be achieved within its accounting and administrative functions, especially as the City continues to grow and additional staff are considered necessary.

Responses

Please respond to the above Findings and Recommendations in letter form for submission to the Utah State Auditor's office as required by State law.

This letter is intended solely for the use of the City Council and management.

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,



HINTON, BURDICK, HALL & SPILKER, P.L.L.C.  
December 11, 2006

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## MANTI CITY CORPORATION

Manti City's responses to the findings and recommendations made as part of the Manti City audit for the year ended June 30, 2006

### Minimum Fund Balance

The City has developed a plan to increase the General Fund unreserved fund balance in order to be in compliance with the state law. The plan anticipates that within a few years the General Fund unreserved fund balance should be at a level to be in compliance with the state law.

### Bond Reserve Requirements

The City will review all bond reserve requirements and fund any deficiencies found.

### Time Sheet Review

The City will require all department heads to document their review of the time sheets by initialing the reviewed time sheets.

### Documentation of Cash Receipts

The City will establish additional cash receipting documentation for non-routine transactions.

### Grant Management

The City will implement additional internal controls in order to more effectively account for grants received by the City.

### Segregation of Duties

The City will continue to utilize an independent firm for review and controls and will continue to maintain high quality records to assure adequate controls.